

Charter Township of Fruitport  
Muskegon County, Michigan ✓

FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT

March 31, 2004

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AUG 18 2004

8/17

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>CHARTER TOWNSHIP OF FRUITPORT</b>	County <b>MUSKEGON</b>
Audit Date <b>3/31/04</b>	Opinion Date <b>6/29/04</b>	Date Accountant Report Submitted to State: <b>8/17/04</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☒ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☒ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>HOFFMAN, STEENSMA &amp; PLAMONDON, P.L.C.</b>			
Street Address <b>221 W. WEBSTER AVENUE, SUITE 502</b>		City <b>MUSKEGON</b>	State <b>MI</b>
Accountant Signature <i>Douglas A. Plamondon, CPA</i>		ZIP <b>49440</b>	Date <b>8-17-04</b>

# Charter Township of Fruitport, Muskegon County, Michigan

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees

Charter Township of Fruitport, Muskegon County, Michigan

We have audited the accompanying general purpose financial statements of Charter Township of Fruitport, Muskegon County, Michigan, as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the management of Charter Township of Fruitport. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general purpose financial statements referred to above do not include the general fixed assets account group, which should be included in order to conform with accounting principles generally accepted in the United States of America. The amount that should be recorded in the general fixed assets account group is not known.

In our opinion, except for the effects on the financial statements of the omission of the general fixed assets account group, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Charter Township of Fruitport, Muskegon County, Michigan, at March 31, 2004, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying combining and individual fund statements and other financial information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the general purpose financial statements of Charter Township of Fruitport, Muskegon County, Michigan. The information in these schedules has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

*Hoffman, Steensma & Plamondon, P.L.C.*

June 29, 2004

# Charter Township of Fruitport, Muskegon County, Michigan

## Combined Balance Sheet

All Fund Types and Account Group

March 31, 2004

	Governmental Fund Types	
	General	Special Revenue
<b>ASSETS AND OTHER DEBITS</b>		
<u>Assets</u>		
Cash and cash equivalents (note A5 and B)	\$ 935,584	\$ 182,318
Investments (note A5 and B)	455,658	1,418
Receivables		
Property taxes	57,797	8,860
Accounts	3,100	-
Special assessments	8,122	-
Interest	-	-
Due from other funds (note D)	79,277	1,495
Due from other governmental units	108,044	-
Prepaid items (note A7)	17,653	-
Inventories (note A8)	-	-
Restricted cash and cash equivalents (note A5 and B)	-	-
Fixed assets (net, where applicable of accumulated depreciation) (note C)	-	-
Wastewater facility rights (net of accumulated amortization of \$133,223) (note E)	-	-
Bond issuance costs (note F)	-	-
<u>Other Debits</u>		
Amount to be provided for retirement of general long-term debt	-	-
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b>\$ 1,665,235</b>	<b>\$ 194,091</b>

The notes to the financial statements are an integral part of this statement.

<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>	<u>Account Group</u>	<u>Totals</u>
<u>Enterprise</u>	<u>Trust and Agency</u>	<u>General Long- Term Debt</u>	<u>(Memorandum Only)</u>
\$ 2,127,477	\$ 185,380	\$ -	\$ 3,430,759
-	-	-	457,076
-	-	-	66,657
252,326	-	-	255,426
3,146,829	-	-	3,154,951
46,919	-	-	46,919
362,680	-	-	443,452
-	-	-	108,044
-	-	-	17,653
10,000	-	-	10,000
2,791,537	-	-	2,791,537
12,704,242	-	-	12,704,242
70,026	-	-	70,026
27,932	-	-	27,932
-	-	733,255	733,255
\$ 21,539,968	\$ 185,380	733,255	\$ 24,317,929

# Charter Township of Fruitport, Muskegon County, Michigan

## Combined Balance Sheet

### All Fund Types and Account Group - Continued

March 31, 2004

	Governmental Fund Types	
	General	Special Revenue
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>		
<u>Liabilities</u>		
Accrued liabilities	\$ 40,087	\$ -
Due to other funds (note D)	1,495	-
Due to other governmental units	-	-
Deferred revenue (note A3)	5,448	-
Long-term compensated absences (note A10 and F)	-	-
Long-term debt (net of unamortized discount of \$56,220) (note F)	-	-
<b>Total liabilities</b>	<b>47,030</b>	<b>-</b>
<u>Equity and Other Credits</u>		
Contributed capital	-	-
Retained earnings	-	-
Fund balance (note A13)		
Reserved for prepaid items	17,653	-
Reserved for racetrack projects (note L)	143,987	-
Unreserved		
Undesignated	1,456,565	194,091
<b>Total equity and other credits</b>	<b>1,618,205</b>	<b>194,091</b>
<b>TOTAL LIABILITIES, EQUITY AND OTHER CREDITS</b>	<b>\$ 1,665,235</b>	<b>\$ 194,091</b>

The notes to the financial statements are an integral part of this statement.

Proprietary Fund Type	Fiduciary Fund Type	Account Group	Totals
Enterprise	Agency	General Long- Term Debt	(Memorandum Only)
\$ 131,546	\$ -	\$ -	\$ 171,633
374,602	67,355	-	443,452
94,124	118,025	-	212,149
-	-	-	5,448
-	-	141,418	141,418
6,720,227	-	591,837	7,312,064
7,320,499	185,380	733,255	8,286,164
9,269,727	-	-	9,269,727
4,949,742	-	-	4,949,742
-	-	-	17,653
-	-	-	143,987
-	-	-	1,650,656
14,219,469	-	-	16,031,765
\$ 21,539,968	\$ 185,380	\$ 733,255	\$ 24,317,929



**Charter Township of Fruitport, Muskegon County, Michigan**  
**Combined Statement of Revenues, Expenditures and Changes in Fund Balance**  
**All Governmental Fund Types**  
**Year Ended March 31, 2004**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
<b>Revenues</b>				
Property taxes and special assessments	\$ 927,746	\$ 140,151	\$ -	\$ 1,067,897
Licenses and permits	100,341	-	-	100,341
State shared revenues	824,978	-	-	824,978
Charges for services	87,588	-	-	87,588
Interest	36,730	826	52	37,608
Racetrack	73,613	-	-	73,613
Donations	4,700	-	-	4,700
Miscellaneous fees	43,408	750	-	44,158
Sale of fixed assets	41,850	-	-	41,850
Other	8,368	-	-	8,368
<b>Total revenues</b>	<b>2,149,322</b>	<b>141,727</b>	<b>52</b>	<b>2,291,101</b>
<b>Expenditures</b>				
Current				
Legislative	68,849	-	-	68,849
General government	517,281	-	-	517,281
Public safety	1,136,076	111,879	-	1,247,955
Public works	88,451	-	-	88,451
Recreational and cultural	40,531	76,805	-	117,336
Other governmental functions	76,037	-	-	76,037
Capital outlay	55,416	36,184	-	91,600
Debt service				
Principal	70,137	-	-	70,137
Interest and fiscal charges	37,755	-	1,702	39,457
<b>Total expenditures</b>	<b>2,090,533</b>	<b>224,868</b>	<b>1,702</b>	<b>2,317,103</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>58,789</b>	<b>(83,141)</b>	<b>(1,650)</b>	<b>(26,002)</b>
<b>Other financing sources (uses)</b>				
Operating transfers in	50,000	109,854	-	159,854
Operating transfers out	(109,854)	-	-	(109,854)
<b>Total other financing sources (uses)</b>	<b>(59,854)</b>	<b>109,854</b>	<b>-</b>	<b>50,000</b>
<b>Excess (deficiency) of revenues and other sources over expenditures and other uses</b>	<b>(1,065)</b>	<b>26,713</b>	<b>(1,650)</b>	<b>23,998</b>
<b>Fund balance at beginning of year</b>	<b>1,603,893</b>	<b>167,378</b>	<b>17,027</b>	<b>1,788,298</b>
<b>Residual equity transfer in (out)</b>	<b>15,377</b>	<b>-</b>	<b>(15,377)</b>	<b>-</b>
<b>Fund balance at end of year</b>	<b>\$ 1,618,205</b>	<b>\$ 194,091</b>	<b>\$ -</b>	<b>\$ 1,812,296</b>

The notes to the financial statements are an integral part of this statement.

**Charter Township of Fruitport, Muskegon County, Michigan**  
**Combined Statement of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget and Actual - General and Special Revenue Funds**  
**Year Ended March 31, 2004**

	General Fund		
	Amended Budget	Actual	Variance favorable (unfavorable)
<b>Revenues</b>			
Property taxes and special assessments	\$ 935,174	\$ 927,746	\$ (7,428)
Licenses and permits	86,000	100,341	14,341
State shared revenues	885,000	824,978	(60,022)
Charges for services	78,675	87,588	8,913
Interest	28,000	36,730	8,730
Racetrack	75,000	73,613	(1,387)
Donations	4,700	4,700	-
Miscellaneous fees	43,000	43,408	408
Sale of fixed assets	37,850	41,850	4,000
Other	3,948	8,368	4,420
<b>Total revenues</b>	<b>2,177,347</b>	<b>2,149,322</b>	<b>(28,025)</b>
<b>Expenditures</b>			
Current			
Legislative	89,175	68,849	20,326
General government	602,919	517,281	85,638
Public safety	1,172,332	1,136,076	36,256
Public works	189,742	88,451	101,291
Recreational and cultural	70,756	40,531	30,225
Other governmental functions	160,000	76,037	83,963
Capital outlay	179,539	55,416	124,123
Debt service			
Principal	70,177	70,137	40
Interest and fiscal charges	38,391	37,755	636
<b>Total expenditures</b>	<b>2,573,031</b>	<b>2,090,533</b>	<b>482,498</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(395,684)</b>	<b>58,789</b>	<b>454,473</b>
<b>Other financing sources (uses)</b>			
Operating transfers in	50,000	50,000	-
Operating transfers out	(120,000)	(109,854)	10,146
<b>Total other financing sources (uses)</b>	<b>(70,000)</b>	<b>(59,854)</b>	<b>10,146</b>
<b>Deficiency of revenues and other sources under expenditures and other uses</b>	<b>(465,684)</b>	<b>(1,065)</b>	<b>464,619</b>
<b>Fund balance at beginning of year</b>	<b>1,603,893</b>	<b>1,603,893</b>	<b>-</b>
<b>Residual equity transfer in</b>	<b>-</b>	<b>15,377</b>	<b>15,377</b>
<b>Fund balance at end of year</b>	<b>\$ 1,138,209</b>	<b>\$ 1,618,205</b>	<b>\$ 479,996</b>

The notes to the financial statements are an integral part of this statement.

Special Revenue Funds			
Amended Budget	Actual	Variance favorable (unfavorable)	
\$ 124,000	\$ 140,151	\$ 16,151	
-	-	-	
-	-	-	
-	-	-	
1,100	826	(274)	
-	-	-	
-	750	750	
-	-	-	
-	-	-	
125,100	141,727	16,627	
-	-	-	
-	-	-	
125,100	111,879	13,221	
-	-	-	
83,390	76,805	6,585	
-	-	-	
36,610	36,184	426	
-	-	-	
-	-	-	
245,100	224,868	20,232	
(120,000)	(83,141)	36,859	
120,000	109,854	(10,146)	
-	-	-	
120,000	109,854	(10,146)	
-	-	-	
-	26,713	26,713	
167,378	167,378	-	
-	-	-	
\$ 167,378	\$ 194,091	\$ 26,713	

**Charter Township of Fruitport, Muskegon County, Michigan**  
**Combined Statement of Revenues, Expenses and Changes in Retained Earnings**  
**All Proprietary Fund Types**  
**Year Ended March 31, 2004**

<b>Operating revenues</b>	
Charges for service	\$ 1,333,983
Other income	28,947
<b>Total operating revenues</b>	<b>1,362,930</b>
<b>Operating expenses</b>	
Personnel services	411,957
Water purchased	373,819
Contracted services	105,583
Insurance	4,646
Supplies	73,872
Rentals	25,000
Other expenses	45,653
Depreciation and amortization	325,594
<b>Total operating expenses</b>	<b>1,366,124</b>
Operating income	(3,194)
<b>Nonoperating revenues (expenses)</b>	
Interest income	462,260
Interest expense	(395,120)
<b>Total nonoperating revenues</b>	<b>67,140</b>
Income before operating transfers and capital contributions	63,946
Capital contributions - tap and connection fees	901,993
Operating transfers	
Operating transfers out	(50,000)
Net income	915,939
Transfer of depreciation to contributed capital	144,751
Net income transferred to retained earnings	1,060,690
Retained earnings at beginning of year	3,889,052
<b>Retained earnings at end of year</b>	<b>\$ 4,949,742</b>

The notes to the financial statements are an integral part of this statement.

# **Charter Township of Fruitport, Muskegon County, Michigan**

## **Combined Statement of Fund Equity**

**All Proprietary Fund Types**

**Year Ended March 31, 2004**

### **Contributed Capital**

Balance at beginning of year	\$ 9,414,478
Depreciation transfers	(144,751)
Balance at end of year	9,269,727

### **Retained Earnings**

Balance at beginning of year	3,889,052
Net income	915,939
Depreciation transfers	144,751
Balance at end of year	4,949,742
Total fund equity	\$ 14,219,469

The notes to the financial statements are an integral part of this statement.

**Charter Township of Fruitport, Muskegon County, Michigan**  
**Combined Statement of Cash Flows**  
**All Proprietary Fund Types**  
**Year Ended March 31, 2004**

<b>Cash flows from operating activities</b>		
Operating loss	\$	(3,194)
Adjustments to reconcile operating income to net cash used for operating activities		
Depreciation and amortization		325,594
Increase in		
Receivables		17,536
Due from other funds		34,536
Increase (decrease) in		
Due to other governmental units		5,024
Due to other funds		(49,930)
<b>Net cash provided by operating activities</b>		<b>329,566</b>
<b>Cash flows from non-capital financing activities</b>		
Operating transfers out		(50,000)
<b>Cash flows from capital and related financing activities</b>		
Collection of special assessments		1,486,444
Principal payments on long-term debt		(430,520)
Interest payments on long-term debt		(395,120)
Acquisition of fixed assets		(1,259,987)
<b>Net cash used for capital and related financing activities</b>		<b>(599,183)</b>
<b>Cash flows from investing activities</b>		
Interest on investments		462,260
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>142,643</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>4,776,371</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$</b>	<b>4,919,014</b>
<b>Reconciliation of cash and cash equivalents to the balance sheet</b>		
Cash and cash equivalents	\$	2,127,477
Restricted cash and cash equivalents		2,791,537
	<b>\$</b>	<b>4,919,014</b>

The notes to the financial statements are an integral part of this statement.

# Charter Township of Fruitport, Muskegon County, Michigan

## Notes to General Purpose Financial Statements

March 31, 2004

### Note A - Summary of Significant Accounting Policies

#### 1. Financial Reporting Entity

Charter Township of Fruitport, Muskegon County, Michigan, was organized in 1863 and incorporated as a charter township in 1989. The township operates under a township board-supervisor form of government and provides the following services as authorized by its charter: general administration services, public safety, highway and street maintenance, culture and recreation, planning and zoning and other governmental functions. The accounting policies of Charter Township of Fruitport, Muskegon County, Michigan, conform to generally accepted accounting principles as applicable to townships.

As required by generally accepted accounting principles, Governmental Accounting Standards Board (GASB) Statement 14, the financial statements present the township (the primary government) and its component units, entities for which the township is considered to be financially accountable. Based upon the application of these criteria, there were no component units required to be included in the financial reporting entity of the township.

Joint Ventures - The township participates in the following joint ventures:

#### • Central Operations for Police Services

The township is a member of an area-wide central dispatch system, Central Operations for Police Services. It is a joint venture of nine governmental units governed by a board composed of representatives of the participants. It is financed through an emergency telephone surcharge to the public and through annual member assessments based upon population, composite state equalized valuation of property and the average of service calls placed. The township does not report an equity interest in this joint venture in these financial statements because the township does not have an explicit and measurable right to the joint venture's resources. The township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Financial information based on the September 30, 2003, audit report of Central Operations for Police Services follows:

<b>General Fund</b>	
Total assets	\$ 1,554,240
Total liabilities	136,581
<b>Fund Balance</b>	<b>\$ 1,417,659</b>
Revenues	\$ 3,052,078
Expenditures	2,118,002
<b>Revenues over expenditures</b>	<b>\$ 934,076</b>
<b>General fixed assets account group</b>	<b>\$ 2,080,810</b>
<b>General long-term debt</b>	<b>\$ 393,448</b>

# Charter Township of Fruitport, Muskegon County, Michigan

## Notes to General Purpose Financial Statements - Continued

March 31, 2004

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### Note A - Summary of Significant Accounting Policies (continued)

#### 1. Financial Reporting Entity (continued)

##### Joint Ventures (continued)

- Central Operations for Police Services (continued)

Complete financial statements for Central Operations for Police Services can be obtained from their administrative office at 860 Terrace Street, Muskegon, Michigan 49443.

- Muskegon Regional Water Alliance

The township is a member of an area-wide alliance, the Muskegon Regional Water Alliance. It is a joint venture of seven governmental units governed by a board composed of representatives of the participants. It is financed through member assessments. The purpose of the alliance is to review, advise and participate in non-binding issues regarding water service within Muskegon County. The township does not report an equity interest in this joint venture in these financial statements because the township does not have an explicit and measurable right to the joint venture's resources. The township is unaware of any circumstances that would cause additional benefit or burden to the participating governments in the near future. Financial information based on the May 31, 2003 audit report of the Muskegon Regional Water Alliance follows:

<b>General Fund</b>		
Total assets	\$	6,362
Total liabilities		-
<u>Fund balance</u>	<u>\$</u>	<u>6,362</u>
Revenues	\$	-
Expenditures		450
<u>Deficiency of revenues under expenditures \$</u>		<u>(450)</u>

Complete financial statements for the Muskegon Regional Water Alliance can be obtained from their office at 5428 East Apple Avenue, Muskegon, Michigan 49444.



# **Charter Township of Fruitport, Muskegon County, Michigan**

## **Notes to General Purpose Financial Statements - Continued**

**March 31, 2004**

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### **Note A - Summary of Significant Accounting Policies (continued)**

#### **2. Fund Accounting**

The accounts of the township are organized on the basis of funds and an account group, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities of governmental funds that are not recorded in those funds because they do not directly affect net expendable available financial resources.

The various funds are grouped, in the financial statements in this report, into five generic fund types and three broad fund categories as follows:

#### **Governmental Funds**

##### **General Fund**

The general fund is the general operating fund of the township. The fund is used to account for all financial transactions except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state shared revenues and charges for services.

##### **Special Revenue Funds**

The special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

##### **Debt Service Funds**

The debt service funds are used to record the funding and payment of principal, interest and related costs on debt reported in the general long-term debt account group.

#### **Proprietary Funds**

##### **Enterprise Funds**

The enterprise funds report operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

# **Charter Township of Fruitport, Muskegon County, Michigan**

## **Notes to General Purpose Financial Statements - Continued**

**March 31, 2004**

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### **Note A - Summary of Significant Accounting Policies (continued)**

#### **2. Fund Accounting (continued)**

##### **Fiduciary Funds**

###### **Agency Funds**

These funds are used to account for assets held by the township in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

##### **Account Group**

###### **General Long-Term Debt Account Group**

The general long-term debt account group is used to account for the township's unmatured long-term indebtedness that has not been identified as a specific liability of a proprietary fund.

#### **3. Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focuses. All governmental funds are accounted for using the flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included in the balance sheet. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on the flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included in the balance sheet. Fund equity (i.e., net assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in net total assets. As permitted by GASB Statement 20, the township has elected not to adopt Financial Accounting Standards Board (FASB) Statements issued after November 30, 1989, unless the GASB specifically adopts such FASB Statements.

The modified accrual basis of accounting is used by all governmental and agency fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available).

# **Charter Township of Fruitport, Muskegon County, Michigan**

## **Notes to General Purpose Financial Statements - Continued**

**March 31, 2004**

### **Note A - Summary of Significant Accounting Policies (continued)**

#### **3. Basis of Accounting (continued)**

"Measurable" means the amount of the transaction can be determined and "available" means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. The township considers property taxes, special assessments, licenses, interest revenue and charges for sales and services as susceptible to accrual if the amount was due on or before fiscal year end and collection was within two months after the period end. All other revenue is recognized as payments are received. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service funds for payments to be made early in the following period.

The township reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to when the revenue recognition criteria are met. When the township has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

#### **4. Budgets and Budgetary Accounting**

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are legally adopted for the general and special revenue funds. The township follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to March 1, the township board submits to the general public a proposed operating budget for the fiscal year commencing April 1. The operating budget includes proposed expenditures and the means of financing them.
- A public hearing is conducted at the township hall to obtain taxpayer comments.
- Prior to April 1, the budget is legally enacted by passage of a resolution.
- Formal budget integration is employed as a management control device during the period for the general and special revenue funds. Formal budgetary integration is not employed for any other fund, and only informational summaries are prepared for the debt service funds.
- Appropriations are authorized by ordinance at the fund level with the exception of the general fund, which is appropriated at the department level. All budget transfers or revisions that alter the total expenditures of any fund or transfer budgeted amounts between accounts within any fund must be approved by the board of trustees.
- Budgeted amounts are presented as originally adopted, or as amended by the board of trustees before March 31, 2004. In fiscal year 2004, the general fund budget was amended to reflect actual expenditures that were higher than originally budgeted.

# **Charter Township of Fruitport, Muskegon County, Michigan**

## **Notes to General Purpose Financial Statements - Continued**

**March 31, 2004**

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### **Note A - Summary of Significant Accounting Policies (continued)**

#### **4. Budgets and Budgetary Accounting (continued)**

- Budgets as presented are prepared on the modified accrual basis of accounting.
- All budget appropriations lapse at the end of the year.

#### **5. Deposits and Investments**

Statutes authorize the township to deposit and invest in the following:

- In bonds, securities and other obligations of the United States or agency or instrumentality of the United States.
- In certificates of deposit, savings accounts, deposit accounts or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation, a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration.
- In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
- In United States government or federal agency obligation repurchase agreements.
- In banker's acceptances of United States banks.
- In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

For the purpose of the statement of cash flows, the township considers all assets held in cash and restricted cash to be cash and cash equivalents because the amounts can be withdrawn at any time, similar to a demand deposit account.

Investments with a maturity of greater than one year at the date of purchase are stated at fair value, and all other investments are stated at cost or amortized cost.

#### **6. Property Taxes**

Property taxes attach as enforceable liens on December 1. Taxes are levied on December 1 and are payable from the date of levy through March 1, and are recognized as revenue when they are levied. The township bills and collects its own property taxes and also taxes for the county and school district. Collections of all the taxes and remittance of them to other taxing authorities are accounted for in the current tax collection fund.

# Charter Township of Fruitport, Muskegon County, Michigan

## Notes to General Purpose Financial Statements - Continued

March 31, 2004

### Note A - Summary of Significant Accounting Policies (continued)

#### 6. Property Taxes (continued)

The 2003 adjusted taxable value of the township totaled \$326,665,245 on which ad valorem taxes levied consisted of 1.0149 mills for the general operations of the township, 1.4738 mills for public safety and .7500 mills for street light operations.

The 2003 state equalized valuation of the township was \$412,725,445.

#### 7. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

#### 8. Inventories

Inventories are stated at the lower of cost or market. Cost is determined by the first-in, first-out method.

#### 9. Fixed Assets

General fixed assets are not capitalized in the fund used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds. Fixed assets of the proprietary funds are capitalized in the fund in which they are utilized and are depreciated on the straight line basis. Estimated useful lives for fixed assets reported in proprietary funds are as follows:

	<u>Years</u>
Water and sewage systems	50
Equipment	4 - 10

Fixed assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated assets are valued at their estimated fair value on the date donated. The township does not capitalize interest costs incurred during construction of governmental fund assets. Public domain "infrastructure" general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized along with other general fixed assets.

#### 10. Compensated Absences

Township employees are granted vacation and sick leave in varying amounts based on length of service and employee group. The township follows the accounting and reporting principles outlined in GASB 16, with regards to employees vacation and sick leave.

Unused vacation and sick leave days are paid to employees upon termination under limits that vary by employee group.

# **Charter Township of Fruitport, Muskegon County, Michigan**

## **Notes to General Purpose Financial Statements - Continued**

**March 31, 2004**

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### **Note A - Summary of Significant Accounting Policies (continued)**

#### **10. Compensated Absences (continued)**

Accrued vacation and sick leave payable that is expected to be liquidated with expendable available resources is accrued in the governmental fund types and the long-term portion is recorded in the general long-term debt account group. Vested compensated absences in the proprietary funds are accrued.

#### **11. Long-Term Obligations**

The township reports long-term debt of governmental funds at face value in the general long-term debt account group. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as an other financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. For proprietary fund types, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges.

#### **12. Encumbrances**

Encumbrance accounting, under which purchase orders, contract and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not a legal requirement of the township and thus is not employed.

#### **13. Fund Equity**

Reservations of fund balance and retained earnings represent amounts that are not available for appropriation or are legally segregated for a specific purpose. The proprietary fund's contributed capital represents equity acquired before April 1, 2001 through capital grants and capital contributions from developers, customers or other funds.

#### **14. Total Columns on Combined Statements**

Total columns on the combined statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

# Charter Township of Fruitport, Muskegon County, Michigan

## Notes to General Purpose Financial Statements - Continued

March 31, 2004

### Note B - Cash, Cash Equivalents and Investments

#### Deposits

At year-end, the carrying amount of the township's deposits was \$6,525,691 and the bank balance was \$6,958,504. Of the bank balance, \$499,997 was covered by federal depository insurance and \$6,458,507 was uninsured and uncollateralized.

The township's deposits are categorized below according to level of credit risk:

- Category 1 represents the township's insured or collateralized deposits with securities held by the township or by its agent in the township's name.
- Category 2 represents the township's collateralized deposits with securities held by the pledging financial institution's trust department or agent in the township's name.
- Category 3 represents the township's uncollateralized deposits including any bank balances that are collateralized with securities held by the pledging financial institutions, or by its trust department or agent but not in the township's name.

	Category			Bank	Carrying
	1	2	3	Balance	Amount
Demand deposits	\$ 200,000	\$ -	\$ 6,455,108	\$ 6,655,108	\$ 6,222,295
Time deposits	299,997	-	3,399	303,396	303,396
	\$ 499,997	\$ -	\$ 6,458,507	\$ 6,958,504	\$ 6,525,691

#### Investments

Investments are categorized below to give an indication of the level of risk assumed by the entity at year end:

- Category 1 includes investments that are insured or registered, or for which the securities are held by the township or by its agent in the township's name.
- Category 2 includes uninsured and unregistered investments, with securities held by the counterparty's trust department or agent in the township's name.
- Category 3 includes uninsured and unregistered investments, with securities held by the counterparty, or by its trust department or agent but not in the township's name.

	Carrying Amount
Investments not subject to categorization:	
Investment pool	\$ 153,680

# Charter Township of Fruitport, Muskegon County, Michigan

## Notes to General Purpose Financial Statements - Continued

March 31, 2004

### Note B - Cash, Cash Equivalents and Investments (continued)

#### Investments (continued)

At March 31, 2004, the township had \$153,680 invested in the Federated Ultra Short Bond Fund. Investments in this fund are not authorized by state statute. In July, 2004, the investments were sold. There was no loss on disposal.

Total deposits and investments at March 31, 2004, were \$6,679,372 and are presented in the balance sheet as follows:

Cash and cash equivalents	\$ 3,430,759
Investments	457,076
Restricted cash and cash equivalents	2,791,537
	<u>\$ 6,679,372</u>

Restricted cash and cash equivalents of \$798,355 represents cash held with a fiscal agent, Muskegon County, for the township's share of excess bond proceeds from the sale of Muskegon County Wastewater Management System Number One Bonds and Muskegon County Water Supply System Number One Bonds. The use of this cash is restricted for bond and interest redemption and for future system expansion. Given the nature and composition of the county's deposits and investments, no FDIC insurance coverage on the above-mentioned asset is assumed.

Restricted cash and cash equivalents of \$1,993,182 represents cash collected from special assessments which is restricted for related bond and interest redemption.

### Note C - Fixed Assets

A summary of fixed assets in the proprietary funds at March 31, 2004, follows:

Utility systems	\$ 15,366,530
Machinery and equipment	262,873
	<u>15,629,403</u>
Less accumulated depreciation	2,925,161
	<u>\$ 12,704,242</u>



# Charter Township of Fruitport, Muskegon County, Michigan

## Notes to General Purpose Financial Statements - Continued

March 31, 2004

### Note D - Interfund Receivables and Payables

The amounts of interfund receivables and payables at March 31, 2004 were as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
General	\$ 79,277	Sewer	\$ 17,348
		Water	10,038
		Current Tax Collection	51,891
	79,277		79,277
Recreation	1,495	General	1,495
Sewer	1,548	Current Tax Collection	1,548
Water	361,132	Sewer	347,216
		Current Tax Collection	13,916
	361,132		361,132
	\$ 443,452		\$ 443,452

### Note E - Wastewater Facility Rights

The township is a participant in the Muskegon County Wastewater Management System, a wastewater treatment facility owned and operated by the county. Members are charged usage fees based on the volume of wastewater treated. In addition, each member municipality has pledged its full faith and credit in repayment of their allocated shares of long-term debt of the system.

The township accounts for the group of transactions substantially in accordance with APB 17, Intangible Assets. The contract payable to Muskegon County is presented as long-term debt. The township's investment in the intangible asset is presented as wastewater facility rights.

The investment in wastewater facility rights is amortized over the life of the debt issue.

# Charter Township of Fruitport, Muskegon County, Michigan

## Notes to General Purpose Financial Statements - Continued

March 31, 2004

### Note F - Long-Term Debt

Long-term debt and compensated absences at March 31, 2004, consisted of the following:

#### Enterprise Funds

**\$68,362 - Muskegon County Wastewater Management System -**

**Number One, Refunding Bond Issue of 2002; due in annual installments of \$1,956 to \$20,831 through July 2008; interest at 2.00% to 5.00%.**

**\$ 65,917**

**\$750,000 - 1994 Special Assessment Bonds; due in annual installments of \$35,000 to \$70,000 through October 2013; interest at 7.70% to 8.0%.**

**515,000**

**\$330,000 - 1995 Special Assessment Bonds; due in annual installments of \$15,000 to \$25,000 through October 2009; interest at 5.25% to 5.50%.**

**135,000**

**\$134,887 - Muskegon County Wastewater Management System Number One, \$13,750,000 Refunding Bond Issue of 1996; due in annual installments of \$16,479 to \$16,551 through July 2005; interest at 5.7%.**

**33,030**

**\$2,680,000 - Muskegon County Wastewater Management System Number One, 1999 Series; due in annual installments of \$50,000 to \$250,000 through May 2020; interest at 4.70% to 6.50% (unamortized discount of \$23,512).**

**2,630,000**

**\$585,640 - 2000 Special Assessment Sewer Bonds; due in annual installments of \$28,395 to \$31,944 through January 2021; interest at 4.75% to 5.0%.**

**511,104**

**\$239,360 - 2000 Special Assessment Water Bonds; due in annual installments of \$11,605 to \$13,059 through January 2021; interest at 4.75% to 5.0%**

**208,896**

**\$2,925,000 - Muskegon County Water Supply System Number One Bonds, Series II; due in annual installments of \$90,000 to \$247,500 through May 2020; interest at 4.75% to 6.75% (unamortized discount of \$32,708).**

**2,677,500**

**Total Enterprise Fund Debt \$ 6,776,447**

# **Charter Township of Fruitport, Muskegon County, Michigan**

## **Notes to General Purpose Financial Statements - Continued**

March 31, 2004

### **Note F - Long-Term Debt (continued)**

#### **General Long-Term Debt**

\$50,000 - 1994 Limited Tax General Obligation Bonds; due in annual installments of \$5,000 through October 2004; interest at 7.70% \$ 5,000

\$175,000 - Fire Station Contract; due in semiannual installments of \$5,833 through December 2008; interest at 5.7%. 58,333

\$193,300 - Fire Truck Contract; due in annual installments of \$27,589 to \$49,191 through April 2011; interest at 4.6%. 282,001

\$76,000 - Land Contract; due in quarterly installments of \$1,850 to \$2,928 including interest at 7.50% through October 2018. 66,052

\$206,800 - Land Contract; due in quarterly installments of \$5,000 to \$8,854 including interest at 7.50% through January 2019. 180,451

**Total General Long-Term Debt 591,837**

**Long-Term Compensated Absences 141,418**

**Total General Long-Term Debt Account Group \$ 733,255**

The annual requirements to amortize all debt outstanding as of March 31, 2004, including interest of \$3,580,887 follows:

Years ending March 31,	Enterprise Funds	General Long-Term Debt	Totals
2005	\$ 622,095	\$ 107,608	\$ 729,703
2006	611,827	101,561	713,388
2007	660,805	77,032	737,837
2008	640,028	76,367	716,395
2009	640,632	75,701	716,333
Thereafter	6,950,065	385,449	7,335,514
	<b>\$ 10,125,452</b>	<b>\$ 823,718</b>	<b>\$ 10,949,170</b>

# Charter Township of Fruitport, Muskegon County, Michigan

## Notes to General Purpose Financial Statements - Continued

March 31, 2004

### Note F - Long-Term Debt (continued)

The following is a summary of long-term debt and compensated absences transactions for the year ended March 31, 2004:

	Enterprise Funds	General Long-Term Debt	Long-Term Compensated Absences	Total
Balance at beginning of year	\$ 7,213,648	\$ 661,978	\$ 119,992	\$ 7,995,618
Additions	-	-	21,426	21,426
Repayments	(437,201)	(70,141)	-	(507,342)
Balance at end of year	\$ 6,776,447	\$ 591,837	\$ 141,418	\$ 7,509,702

There are a number of limitations and restrictions contained in the various bond indentures. The township is in substantial compliance with all significant provisions of the bond indentures.

The \$6,000,000 and \$2,925,000 Muskegon County Water Supply System Number One Series I and II bond issues are joint debt agreements entered into by the township and the City of Norton Shores. Under the agreements, the county issued debt and constructed a water supply system for the benefit of both governmental units. The county owns and maintains the system and upon full payment by either local unit of its allocated portion of the debt, the county may convey full ownership of the respective portions of the system to the local unit. Each local unit's share of the debt is based on user charges and the state's equalized valuation on real property.

### Note G - Segment Information for Enterprise Funds

The township maintains two enterprise funds which provide sewer and water services. Segment information for the year ended March 31, 2004, is as follows:

	Sewer	Water	Total
Operating revenues	\$ 87,885	\$ 1,275,045	\$ 1,362,930
Depreciation and amortization	114,499	211,095	325,594
Operating income (loss)	(102,701)	99,507	(3,194)
Operating transfers out	(50,000)	-	(50,000)
Net income	318,038	597,901	915,939
Additions to fixed assets	466,170	793,817	1,259,987
Net working capital	708,981	1,499,291	2,208,272
Total assets	8,516,945	13,023,023	21,539,968
Bonds and other long-term debt payable from operating revenue	3,731,539	2,988,688	6,720,227
Fund equity			
Contributed capital	3,493,379	5,776,348	9,269,727
Retained earnings	862,247	4,087,495	4,949,742
Total fund equity	\$ 4,355,626	\$ 9,863,843	\$ 14,219,469

# **Charter Township of Fruitport, Muskegon County, Michigan**

## **Notes to General Purpose Financial Statements - Continued**

**March 31, 2004**

### **Note H - City of Muskegon Heights Water Supply System**

Pursuant to a water service agreement dated August 29, 1997, as amended on April 14, 2000 between the City of Muskegon Heights, the City of Norton Shores and the township, the City of Muskegon Heights issued revenue bonds of \$18,485,000 on June 27, 2000. The bonds were issued to finance certain improvements and expansions of the City of Muskegon Heights water supply system. Under the water service agreement, the township purchases all of its water requirements from the City of Muskegon Heights system.

The bonds are payable solely from revenues of the system, with each municipality responsible for annual debt service in a percentage equal to its annual usage in relation to the total annual usage of the system. Currently, the township's share of debt service requirements is 15.15%. The township's debt service requirements are paid from the township's water fund with funds generated from the operations of its water system. Under the water service agreement, the township has no right, title or interest in the City of Muskegon Heights water supply system. Accordingly, all debt service requirements of the township have been shown as water purchases in the accompanying financial statements.

### **Note I - Defined Contribution Pension Plan**

The township maintains a defined contribution retirement plan administered by Manulife Financial USA that covers substantially all full-time employees. The township contributes 10% of each eligible employee's salary to the plan. Township employees contribute nothing to the plan. The township's contribution for the year ended March 31, 2004 was \$118,974.

### **Note J - Risk Management**

The township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The township manages its liability and property risk as a member of the Michigan Township Participating Plan (MTPP), a public entity risk pool providing liability and property coverage to its participating members. The township pays an annual premium to MTPP for its insurance coverage. The MTPP is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The township manages its workers' compensation risk by participating in the Michigan Municipal Workers' Compensation Self-Insurance Fund (MMWCSIF), a public entity risk pool providing workers' compensation coverage to its participating members. The township pays an annual premium to MMWCSIF for its workers' compensation coverage. The MMWCSIF is self-sustaining through member premiums and provides statutory workers' compensation coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

# **Charter Township of Fruitport, Muskegon County, Michigan**

## **Notes to General Purpose Financial Statements - Continued**

**March 31, 2004**

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### **Note J - Risk Management (continued)**

The township carries commercial insurance for employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### **Note K - Excess of Expenditures Over Appropriations in Budgetary Funds**

P.A. 621 of 1978, section 18(1) as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended March 31, 2004, the township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

<b>Fund</b>	<b>Amended Budget</b>	<b>Amount of Expenditures</b>	<b>Budget Variance</b>
General fund			
Public safety			
Fire	\$ 676,267	\$ 677,485	(1,218)

The expenditures over appropriations have either been paid by operating transfers from other funds or by the reduction of the current fund balance.

### **Note L - Reserved for Racetrack Projects**

The township receives funds as a fee for services pursuant to P.A. 279 of 1995 to provide adequate police, fire and traffic protection of persons and property at and near the racetrack located in the township. The reservation of the fund balance represents amounts legally segregated for this specific purpose.

### **Note M - State Construction Code Act**

P.A. 245 of 1999, section 22(1) of the State Construction Code Act, requires fees generated by enforcing agencies or board of appeals be intended to bear a reasonable relationship to the actual cost of performing those services.

The fees generated by the township's enforcing agencies and the costs of providing those services were as follows for the year ended March 31, 2004:

# Charter Township of Fruitport, Muskegon County, Michigan

## Notes to General Purpose Financial Statements - Continued

March 31, 2004

### Note M - State Construction Code Act (continued)

Revenues		
Enforcement fees	\$	27,311
Expenditures		
Salaries and wages		3,600
Payroll taxes and fringe benefits		275
Contractual services		12,177
Legal		4,922
Printing and publishing		4,668
Other		1,198
Total expenditures		26,840
Excess of revenues over expenditures		471
Deficiency from prior years		(12,525)
Cumulative deficiency of revenues under expenditures	\$	471

### Note N - Supplemental Disclosures of Cashflow Information

Noncash investing and financing transactions consisting of connection fees and special assessments receivable have been included in the accompanying sewer and water fund financial statements. Sewer fund connection fees totaled \$410,060 and water fund connection fees contributions totaled \$491,933, as a result of special assessments levied during the year.

### Note O - Subsequent Year Information

#### Change in Accounting Principle

Effective April 1, 2004, the township adopted GASB 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*, as amended by GASB 37, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments Omnibus*. GASB 34 significantly changes the format of the township's financial statements. Among the changes required by GASB 34, the financial statements will for the first time include:

- A management discussion and analysis (MD&A) section providing analysis of the township's overall financial position and results of operations.
- Government-wide financial statements prepared using full accrual accounting for all of the township's activities.
- Depreciation on all fixed assets.

Also effective April 1, 2004, the township adopted GASB 38, *Certain Financial Statement Note Disclosures*. GASB 38 modifies note disclosures required by GAAP.

**SUPPLEMENTAL FINANCIAL INFORMATION**



### GENERAL FUND

The general fund is used to account for all revenues and expenditures applicable to the general operations of township government except those required to be accounted for in another fund. General fund revenues are derived primarily from property taxes, state shared revenues and charges for services.

# Charter Township of Fruitport, Muskegon County, Michigan

## General Fund

### Schedule of Revenues - Budget and Actual

Year Ended March 31, 2004

	Amended Budget	Actual	Variance favorable (unfavorable)
<b>Revenues</b>			
Property taxes			
Real and personal property	\$ 828,284	\$ 809,175	\$ (19,109)
Administration fees	106,890	118,571	11,681
<b>Total property taxes</b>	<b>935,174</b>	<b>927,746</b>	<b>(7,428)</b>
Licenses and permits			
Building permits	18,000	21,941	3,941
Liquor license fees	8,000	8,552	552
Cable TV franchise fee	60,000	69,848	9,848
<b>Total licenses and permits</b>	<b>86,000</b>	<b>100,341</b>	<b>14,341</b>
State shared revenues	885,000	824,978	(60,022)
Charges for services			
Trailer park fees	1,200	1,888	688
Penalties	2,000	(4,677)	(6,677)
Zoning change requests	5,000	6,320	1,320
Sullivan Township Fire	51,475	51,150	(325)
Cemetery	19,000	32,907	13,907
<b>Total charges for services</b>	<b>78,675</b>	<b>87,588</b>	<b>8,913</b>
Investment income	28,000	36,730	8,730
Racetrack	75,000	73,613	(1,387)
Donations	4,700	4,700	-
Miscellaneous fees			
Water fund administration	43,000	43,408	408
Sale of fixed assets	37,850	41,850	4,000
Other	3,948	8,368	4,420
<b>Total revenues</b>	<b>2,177,347</b>	<b>2,149,322</b>	<b>(28,025)</b>
Other financing sources			
Operating transfers in	50,000	50,000	-
<b>Total revenues and other financing sources</b>	<b>\$ 2,227,347</b>	<b>\$ 2,199,322</b>	<b>\$ (28,025)</b>

# Charter Township of Fruitport, Muskegon County, Michigan

## General Fund

### Schedule of Expenditures and Other Financing Uses - Budget and Actual

Year Ended March 31, 2004

	Amended Budget	Actual	Variance favorable (unfavorable)
<b>Expenditures</b>			
<b>Current</b>			
<b>Legislative</b>			
Township board	\$ 89,175	\$ 68,849	\$ 20,326
<b>General government</b>			
Supervisor	75,179	70,947	4,232
Elections	8,000	3,225	4,775
Assessing	129,686	115,296	14,390
Clerk	58,100	53,250	4,850
Treasurer	118,020	107,545	10,475
General office	64,860	54,203	10,657
Board of review	2,615	1,710	905
Building and grounds	20,255	18,444	1,811
Planning commission	55,790	26,839	28,951
Cemetery	70,414	65,822	4,592
<b>Total general government</b>	<b>602,919</b>	<b>517,281</b>	<b>85,638</b>
<b>Public safety</b>			
Police	488,765	451,303	37,462
Fire	676,267	677,485	(1,218)
Crossing guards	7,300	7,288	12
<b>Total public safety</b>	<b>1,172,332</b>	<b>1,136,076</b>	<b>36,256</b>
<b>Public works</b>			
Roads	189,242	88,451	100,791
Bike path	500	-	500
<b>Total public works</b>	<b>189,742</b>	<b>88,451</b>	<b>101,291</b>
<b>Recreational and cultural</b>			
Racetrack	52,335	22,110	30,225
Library	18,421	18,421	-
<b>Total recreational and cultural</b>	<b>70,756</b>	<b>40,531</b>	<b>30,225</b>
<b>Other governmental functions</b>			
Insurance	60,000	55,677	4,323
Engineering	100,000	20,360	79,640
<b>Total other governmental functions</b>	<b>160,000</b>	<b>76,037</b>	<b>83,963</b>

# Charter Township of Fruitport, Muskegon County, Michigan

## General Fund

### Schedule of Expenditures and Other Financing Uses - Budget and Actual - Continued Year Ended March 31, 2004

	Amended Budget	Actual	Variance favorable (unfavorable)
Capital outlay			
General office	\$ 3,000	\$ 1,200	\$ 1,800
Building and grounds	71,340	2,700	68,640
Assessing	5,334	-	5,334
Cemetery	4,350	1,717	2,633
Police	52,100	9,743	42,357
Fire	20,750	20,512	238
Racetrack	22,665	19,544	3,121
Total capital outlay	179,539	55,416	124,123
Debt service			
Principal	70,177	70,137	40
Interest	38,391	37,755	636
Total debt service	108,568	107,892	676
Total expenditures	2,573,031	2,090,533	482,498
Other financing uses			
Operating transfers out	120,000	109,854	10,146
Total expenditures and other financing uses	\$ 2,693,031	\$ 2,200,387	\$ 492,644

### SPECIAL REVENUE FUNDS

The special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

Recreation Fund - To account for user fees and other revenues collected to support athletic and recreational activities and programs.

Street Light Fund - To account for a special tax millage levied by the township for operation and maintenance of township street lights.

# Charter Township of Fruitport, Muskegon County, Michigan

## Special Revenue Funds

### Combining Balance Sheet

March 31, 2004

#### ASSETS

	Recreation	Street Light	Totals
Cash and cash equivalents	\$ (2,882)	\$ 185,200	\$ 182,318
Investments	1,418	-	1,418
Property taxes receivable	-	8,860	8,860
Due from other funds	1,495	-	1,495

#### TOTAL ASSETS

\$	31	\$	194,060	\$	194,091
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#### FUND BALANCE

##### Fund balance

##### Unreserved

Undesignated	\$	31	\$	194,060	\$	194,091
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**Charter Township of Fruitport, Muskegon County, Michigan**  
**Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Year Ended March 31, 2004**

	Recreation	Street Light	Totals
<b>Revenues</b>			
Property taxes	\$ -	\$ 140,151	\$ 140,151
Interest	29	797	826
Miscellaneous fees	750	-	750
<b>Total revenues</b>	<b>779</b>	<b>140,948</b>	<b>141,727</b>
<b>Expenditures</b>			
Current			
Public safety	-	111,879	111,879
Recreational and cultural	76,805	-	76,805
Capital outlay	36,184	-	36,184
<b>Total expenditures</b>	<b>112,989</b>	<b>111,879</b>	<b>224,868</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(112,210)</b>	<b>29,069</b>	<b>(83,141)</b>
<b>Other financing sources</b>			
Operating transfers in	109,854	-	109,854
<b>Excess (deficiency) of revenues and other financing sources over expenditures</b>	<b>(2,356)</b>	<b>29,069</b>	<b>26,713</b>
<b>Fund balance at beginning of year</b>	<b>2,387</b>	<b>164,991</b>	<b>167,378</b>
<b>Fund balance at end of year</b>	<b>\$ 31</b>	<b>\$ 194,060</b>	<b>\$ 194,091</b>

# Charter Township of Fruitport, Muskegon County, Michigan

## Recreation Fund

### Statement of Revenues, Expenditures and Changes in Fund Balance -

#### Budget and Actual

Year Ended March 31, 2004

	Amended Budget	Actual	Variance favorable (unfavorable)
<b>Revenues</b>			
Interest	\$ -	\$ 29	\$ 29
Miscellaneous fees	-	750	750
<b>Total revenues</b>	-	779	779
<b>Expenditures</b>			
Current			
Recreational and cultural	83,390	76,805	6,585
Capital outlay	36,610	36,184	426
<b>Total expenditures</b>	120,000	112,989	7,011
Deficiency of revenues under expenditures	(120,000)	(112,210)	7,790
<b>Other financing sources</b>			
Operating transfers in	120,000	109,854	(10,146)
Deficiency of revenues and other sources under expenditures	-	(2,356)	(2,356)
<b>Fund balance at beginning of year</b>	2,387	2,387	-
<b>Fund balance at end of year</b>	\$ 2,387	\$ 31	\$ (2,356)



# **Charter Township of Fruitport, Muskegon County, Michigan**

## **Street Light Fund**

### **Statement of Revenues, Expenditures and Changes in Fund Balance -**

#### **Budget and Actual**

**Year Ended March 31, 2004**

	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance favorable (unfavorable)</b>
<b>Revenues</b>			
Property taxes	\$ 124,000	\$ 140,151	\$ 16,151
Interest	1,100	797	(303)
<b>Total revenues</b>	<b>125,100</b>	<b>140,948</b>	<b>15,848</b>
<b>Expenditures</b>			
Current			
Public safety	125,100	111,879	13,221
<b>Excess of revenues over expenditures</b>	<b>-</b>	<b>29,069</b>	<b>29,069</b>
<b>Fund balance at beginning of year</b>	<b>164,991</b>	<b>164,991</b>	<b>-</b>
<b>Fund balance at end of year</b>	<b>\$ 164,991</b>	<b>\$ 194,060</b>	<b>\$ 29,069</b>

### **ENTERPRISE FUNDS**

The enterprise funds are established to account for operations that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**Water Fund** - To account for user charges and for operating expenses and debt service of the township's water system.

**Sewer Fund** - To account for user charges and for operating expenses and debt service of the township's sewer system.

# Charter Township of Fruitport, Muskegon County, Michigan

## Enterprise Funds

### Combining Balance Sheet

March 31, 2004

<b>ASSETS</b>	<b>Sewer</b>	<b>Water</b>	<b>Totals</b>
<b>Current assets</b>			
Cash and cash equivalents	\$ 1,044,515	\$ 1,082,962	\$ 2,127,477
Receivables			
Accounts	12,648	239,678	252,326
Special assessments	183,991	61,151	245,142
Interest	28,059	18,860	46,919
Due from other funds	1,548	361,132	362,680
Inventories	-	10,000	10,000
<b>Total current assets</b>	<b>1,270,761</b>	<b>1,773,783</b>	<b>3,044,544</b>
<b>Restricted assets</b>			
Restricted cash and cash equivalents	845,732	1,945,805	2,791,537
<b>Fixed assets</b>			
Utility system	5,167,086	10,199,444	15,366,530
Equipment	-	262,873	262,873
	5,167,086	10,462,317	15,629,403
Less accumulated depreciation	520,512	2,404,649	2,925,161
<b>Total fixed assets</b>	<b>4,646,574</b>	<b>8,057,668</b>	<b>12,704,242</b>
<b>Other assets</b>			
Special assessments receivable	1,655,920	1,245,767	2,901,687
Wastewater facility rights (net of accumulated amortization of \$133,223)	70,026	-	70,026
Bond issuance costs	27,932	-	27,932
<b>Total other assets</b>	<b>1,753,878</b>	<b>1,245,767</b>	<b>2,999,645</b>
<b>TOTAL ASSETS</b>	<b>\$ 8,516,945</b>	<b>\$ 13,023,023</b>	<b>\$ 21,539,968</b>

<b>LIABILITIES AND FUND EQUITY</b>	<b>Sewer</b>	<b>Water</b>	<b>Totals</b>
<b>Current liabilities</b>			
Current maturities of long-term debt	\$ 132,000	\$ 104,000	\$ 236,000
Accrued interest	65,216	66,330	131,546
Due to other funds	364,564	10,038	374,602
Due to other governmental units	-	94,124	94,124
<b>Total current liabilities</b>	<b>561,780</b>	<b>274,492</b>	<b>836,272</b>
<b>Noncurrent liabilities</b>			
Long-term debt (net of unamortized discount of \$56,220)	3,599,539	2,884,688	6,484,227
<b>Total liabilities</b>	<b>4,161,319</b>	<b>3,159,180</b>	<b>7,320,499</b>
<b>Fund equity</b>			
Contributed capital	3,493,379	5,776,348	9,269,727
Retained earnings	862,247	4,087,495	4,949,742
<b>Total fund equity</b>	<b>4,355,626</b>	<b>9,863,843</b>	<b>14,219,469</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 8,516,945</b>	<b>\$ 13,023,023</b>	<b>\$ 21,539,968</b>

# Charter Township of Fruitport, Muskegon County, Michigan

## Enterprise Funds

### Combining Statement of Revenues, Expenses and Changes in Retained Earnings

Year Ended March 31, 2004

	Sewer	Water	Totals
Operating revenues			
Charges for service	\$ 85,514	\$ 1,248,469	\$ 1,333,983
Miscellaneous	2,371	26,576	28,947
Total operating revenues	87,885	1,275,045	1,362,930
Operating expenses			
Personnel services	14,823	397,134	411,957
Water purchased	-	373,819	373,819
Contracted services	51,061	54,522	105,583
Insurance	-	4,646	4,646
Supplies	464	73,408	73,872
Rentals	-	25,000	25,000
Other expenses	9,739	35,914	45,653
Depreciation and amortization	114,499	211,095	325,594
Total operating expenses	190,586	1,175,538	1,366,124
Operating income (loss)	(102,701)	99,507	(3,194)
Nonoperating revenues (expenses)			
Interest income	265,417	196,843	462,260
Interest expense	(204,738)	(190,382)	(395,120)
Total nonoperating revenues	60,679	6,461	67,140
Income (loss) before operating transfers and capital contributions	(42,022)	105,968	63,946
Capital contributions - tap and connection fees	410,060	491,933	901,993
Operating transfers			
Operating transfers out	(50,000)	-	(50,000)
Net income	318,038	597,901	915,939
Transfer of depreciation to contributed capital	26,780	117,971	144,751
Net income transferred to retained earnings	344,818	715,872	1,060,690
Retained earnings at beginning of year	517,429	3,371,623	3,889,052
Retained earnings at end of year	\$ 862,247	\$ 4,087,495	\$ 4,949,742

# Charter Township of Fruitport, Muskegon County, Michigan

## Enterprise Funds

### Combining Statement of Fund Equity

Year Ended March 31, 2004

	Sewer	Water	Totals
<b><u>Contributed Capital</u></b>			
Balance at beginning of year	\$ 3,520,159	\$ 5,894,319	\$ 9,414,478
Depreciation transfers	(26,780)	(117,971)	(144,751)
Balance at end of year	3,493,379	5,776,348	9,269,727
<b><u>Retained Earnings</u></b>			
Balance at beginning of year	517,429	3,371,623	3,889,052
Net income	318,038	597,901	915,939
Depreciation transfers	26,780	117,971	144,751
Balance at end of year	862,247	4,087,495	4,949,742
Total fund equity	\$ 4,355,626	\$ 9,863,843	\$ 14,219,469

# Charter Township of Fruitport, Muskegon County, Michigan

## Enterprise Funds

### Combining Statement of Cash Flows

Year Ended March 31, 2004

	Sewer	Water	Totals
<b>Cash flows from operating activities</b>			
Operating income (loss)	\$ (102,701)	\$ 99,507	\$ (3,194)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities			
Depreciation and amortization	114,499	211,095	325,594
(Increase) decrease in Receivables	8,244	9,292	17,536
Due from other funds	(1,548)	36,084	34,536
Increase (decrease) in Due to other governmental units	-	5,024	5,024
Due to other funds	(52,010)	2,080	(49,930)
Net cash provided by (used for) operating activities	(33,516)	363,082	329,566
<b>Cash flows from non-capital financing activities</b>			
Operating transfers out	(50,000)	-	(50,000)
<b>Cash flows from capital and related financing activities</b>			
Collection of special assessments	877,127	609,317	1,486,444
Principal payments on long-term debt	(105,341)	(325,179)	(430,520)
Interest payments on long-term debt	(204,738)	(190,382)	(395,120)
Acquisition of fixed assets	(466,170)	(793,817)	(1,259,987)
Net cash provided by (used for) capital and related financing activities	100,878	(700,061)	(599,183)
<b>Cash flows from investing activities</b>			
Interest on investments	265,417	196,843	462,260
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	282,779	(140,136)	142,643
<b>Cash and cash equivalents at beginning of year</b>	1,607,468	3,168,903	4,776,371
<b>Cash and cash equivalents at end of year</b>	\$ 1,890,247	\$ 3,028,767	\$ 4,919,014
<b>Reconciliation of cash and cash equivalents to the balance sheet</b>			
Cash and cash equivalents	\$ 1,044,515	\$ 1,082,962	\$ 2,127,477
Restricted cash and cash equivalents	845,732	1,945,805	2,791,537
	\$ 1,890,247	\$ 3,028,767	\$ 4,919,014

### AGENCY FUNDS

The agency funds are used to account for assets held by the township in a trustee capacity for individuals, private organizations, other governments or other funds.

Trust and Agency Fund - To account for the collection and payment of personal property and trailer park taxes.

Current Tax Collection Fund - To account for levy, collection and payment of taxes levied for the general and other funds of the township, county and public school district.



# Charter Township of Fruitport, Muskegon County, Michigan

## Agency Funds

### Combining Balance Sheet

March 31, 2004

ASSETS	Trust and Agency	Current Tax Collection	Totals
Cash and cash equivalents	\$ -	\$ 185,380	\$ 185,380
LIABILITIES			
Due to other funds	\$ -	\$ 67,355	\$ 67,355
Due to other governmental units	-	118,025	118,025
TOTAL LIABILITIES	\$ -	\$ 185,380	\$ 185,380

# Charter Township of Fruitport, Muskegon County, Michigan

## Agency Funds

### Statement of Changes in Assets and Liabilities

Year Ended March 31, 2004

	Balance April 1, 2003	Additions	Deductions	Balance March 31, 2004
<b><u>Trust and Agency</u></b>				
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 500	\$ 19,164	\$ 19,664	\$ -
<b><u>LIABILITIES</u></b>				
Due to other governmental units	\$ 500	\$ 19,164	\$ 19,664	\$ -
<b><u>Current Tax Collection</u></b>				
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 33,385	\$ 9,839,024	\$ 9,687,029	\$ 185,380
<b><u>LIABILITIES</u></b>				
Due to other funds	\$ 15,811	\$ 1,340,763	\$ 1,289,219	\$ 67,355
Due to other governmental units	17,574	8,498,261	8,397,810	118,025
<b>TOTAL LIABILITIES</b>	<b>\$ 33,385</b>	<b>\$ 9,839,024</b>	<b>\$ 9,687,029</b>	<b>\$ 185,380</b>
<b><u>All Agency Funds</u></b>				
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 33,885	\$ 9,858,188	\$ 9,706,693	\$ 185,380
<b><u>LIABILITIES</u></b>				
Due to other funds	\$ 15,811	\$ 1,340,763	\$ 1,289,219	\$ 67,355
Due to other governmental units	18,074	8,517,425	8,417,474	118,025
<b>TOTAL LIABILITIES</b>	<b>\$ 33,885</b>	<b>\$ 9,858,188</b>	<b>\$ 9,706,693</b>	<b>\$ 185,380</b>

**SCHEDULE OF INDEBTEDNESS**

# Charter Township of Fruitport, Muskegon County, Michigan

## Schedule of Indebtedness

March 31, 2004 and 2003

	Date of Issue	Amount of Issue	Interest Rate	
Enterprise Funds				
Muskegon County Water Supply System				
Number One Bonds	5-01-73	\$ 6,000,000	5.00	%
1994 Special Assessment Bonds	6-01-94	750,000	7.65	
			7.70	
			7.75	
			7.90	
			8.00	
			8.00	
			8.00	
			8.00	
			8.00	
			8.00	
			8.00	
1995 Special Assessment Bonds	10-01-95	330,000	5.20	
			5.25	
			5.30	
			5.40	
			5.50	
			5.50	

Date of Maturity	Balance Outstanding March 31,		Annual Interest Payable
	2003	2004	
11-1-03	\$ 202,934	\$ -	\$ -
10-1-03	35,000	-	-
10-1-04	35,000	35,000	40,962
10-1-05	35,000	35,000	38,267
10-1-06	45,000	45,000	35,555
10-1-07	45,000	45,000	32,000
10-1-08	45,000	45,000	28,400
10-1-09	55,000	55,000	24,800
10-1-10	55,000	55,000	20,400
10-1-11	60,000	60,000	16,000
10-1-12	70,000	70,000	11,200
10-1-13	70,000	70,000	5,600
	550,000	515,000	253,184
10-1-03	25,000	-	-
10-1-04	25,000	25,000	7,297
10-1-05	20,000	20,000	5,985
10-1-06	25,000	25,000	4,924
10-1-07	25,000	25,000	3,575
10-1-08	25,000	25,000	2,200
10-1-09	15,000	15,000	825
	160,000	135,000	24,806

**March 31, 2004 and 2003**

	Date of Issue	Amount of Issue	Interest Rate	
<b>Enterprise Funds (continued)</b>				
<b>Muskegon County Wastewater Management</b>				
<b>System Number One, \$13,750,000 Refunding</b>				
<b>Bond Issue of 1996</b>	<b>5-1-96</b>	<b>\$ 134,887</b>	<b>5.10</b>	<b>%</b>
			<b>5.70</b>	
			<b>5.70</b>	
<b>Muskegon County Wastewater Management</b>				
<b>System Number One, 1999 Series</b>	<b>8-01-99</b>	<b>2,680,000</b>	<b>6.500</b>	
			<b>6.500</b>	
			<b>6.500</b>	
			<b>6.500</b>	
			<b>4.700</b>	
			<b>4.750</b>	
			<b>4.800</b>	
			<b>4.900</b>	
			<b>5.000</b>	
			<b>5.000</b>	
			<b>5.000</b>	
			<b>5.125</b>	
			<b>5.125</b>	
			<b>5.125</b>	
			<b>5.125</b>	
			<b>5.125</b>	

Date of Maturity	Balance Outstanding March 31,		Annual Interest Payable
	2003	2004	
7-1-03	\$ 16,822	\$ -	\$ -
7-1-04	16,479	16,479	1,760
7-1-05	16,551	16,551	920
	<u>49,852</u>	<u>33,030</u>	<u>2,680</u>
5-31-03	25,000	-	-
5-31-04	50,000	50,000	135,000
5-31-05	50,000	50,000	131,750
5-31-06	100,000	100,000	126,875
5-31-07	100,000	100,000	120,375
5-31-08	100,000	100,000	114,775
5-31-09	100,000	100,000	110,050
5-31-10	150,000	150,000	104,075
5-31-11	150,000	150,000	96,800
5-31-12	150,000	150,000	89,375
5-31-13	180,000	180,000	81,125
5-31-14	200,000	200,000	71,625
5-31-15	200,000	200,000	61,500
5-31-16	200,000	200,000	51,250
5-31-17	200,000	200,000	41,000
5-31-18	200,000	200,000	30,750
5-31-19	250,000	250,000	19,220
5-31-20	250,000	250,000	6,405
	<u>2,655,000</u>	<u>2,630,000</u>	<u>1,391,950</u>

**March 31, 2004 and 2003**[illegible]



Date of Maturity	Balance Outstanding March 31,		Annual Interest Payable
	2003	2004	
1-1-04	\$ 28,395	\$ -	\$ -
1-1-05	28,395	28,395	24,899
1-1-06	28,395	28,395	23,550
1-1-07	28,395	28,395	22,201
1-1-08	28,395	28,395	20,852
1-1-09	28,395	28,395	19,504
1-1-10	28,395	28,395	18,155
1-1-11	28,395	28,395	16,806
1-1-12	28,395	28,395	15,457
1-1-13	28,395	28,395	14,109
1-1-14	31,944	31,944	12,746
1-1-15	31,944	31,944	11,180
1-1-16	31,944	31,944	9,583
1-1-17	31,944	31,944	7,986
1-1-18	31,944	31,944	6,389
1-1-19	31,944	31,944	4,792
1-1-20	31,944	31,944	3,194
1-1-21	31,941	31,941	1,597
	<u>539,499</u>	<u>511,104</u>	<u>233,000</u>

1-1-04	11,605	-	-
1-1-05	11,605	11,605	10,176
1-1-06	11,605	11,605	9,625
1-1-07	11,605	11,605	9,074
1-1-08	11,605	11,605	8,523
1-1-09	11,605	11,605	7,971
1-1-10	11,605	11,605	7,420
1-1-11	11,605	11,605	6,869
1-1-12	11,605	11,605	6,318
1-1-13	11,605	11,605	5,766
1-1-14	13,056	13,056	5,209
1-1-15	13,056	13,056	4,570
1-1-16	13,056	13,056	3,917
1-1-17	13,056	13,056	3,264
1-1-18	13,056	13,056	2,611
1-1-19	13,056	13,056	1,958
1-1-20	13,056	13,056	1,306
1-1-21	13,059	13,059	653
	<u>220,501</u>	<u>208,896</u>	<u>95,230</u>

# Charter Township of Fruitport, Muskegon County, Michigan

## Schedule of Indebtedness - Continued

March 31, 2004 and 2003

	Date of Issue	Amount of Issue	Interest Rate	
<b>Enterprise Funds (continued)</b>				
<b>Muskegon County Water Supply System</b>				
<b>Number One, Series II (Fruitport - Norton Shores)</b>				
<b>Bonds, Series 2000</b>	<b>12-4-00</b>	<b>\$ 2,925,000</b>	<b>6.75</b>	<b>%</b>
			<b>6.75</b>	
			<b>6.75</b>	
			<b>6.75</b>	
			<b>6.75</b>	
			<b>6.75</b>	
			<b>6.75</b>	
			<b>5.38</b>	
			<b>4.75</b>	
			<b>4.75</b>	
			<b>4.75</b>	
			<b>4.75</b>	
			<b>4.75</b>	
			<b>4.75</b>	
			<b>4.75</b>	
			<b>4.75</b>	
<b>Muskegon County Wastewater Management System -</b>				
<b>Number One, Refunding Bond Issue of 2002</b>	<b>10-8-02</b>	<b>68,362</b>	<b>2.25</b>	
			<b>5.00</b>	
			<b>5.00</b>	
			<b>5.00</b>	
<b>Total Enterprise Fund Debt</b>				

Date of Maturity	Balance Outstanding March 31,		Annual Interest Payable
	2003	2004	
5-1-03	\$ 90,000	\$ -	\$ -
5-1-04	90,000	90,000	140,288
5-1-05	101,250	101,250	133,833
5-1-06	101,250	101,250	126,999
5-1-07	101,250	101,250	120,163
5-1-08	123,750	123,750	112,570
5-1-09	123,750	123,750	104,217
5-1-10	123,750	123,750	95,864
5-1-11	135,000	135,000	88,059
5-1-12	157,500	157,500	80,691
5-1-13	168,750	168,750	72,942
5-1-14	168,750	168,750	64,926
5-1-15	180,000	180,000	56,643
5-1-16	191,250	191,250	47,826
5-1-17	202,500	202,500	38,475
5-1-18	225,000	225,000	28,322
5-1-19	236,250	236,250	17,367
5-1-20	247,500	247,500	5,878
	<u>2,767,500</u>	<u>2,677,500</u>	<u>1,335,063</u>
7-1-03	2,445	-	-
7-1-04	2,054	2,054	3,180
7-1-05	1,956	1,956	3,140
7-1-06	20,831	20,831	3,096
7-1-07	20,636	20,636	2,654
7-1-08	20,440	20,440	1,022
	<u>68,362</u>	<u>65,917</u>	<u>13,092</u>
	<u>7,213,648</u>	<u>6,776,447</u>	<u>3,349,005</u>

**March 31, 2004 and 2003**[illegible]

Date of Maturity	Balance Outstanding March 31,		Annual Interest Payable
	2003	2004	
10-1-03	\$ 5,000	\$ -	\$ -
10-1-04	5,000	5,000	385
	<u>10,000</u>	<u>5,000</u>	<u>385</u>
12-31-03	11,667	-	-
12-31-04	11,666	11,666	3,158
12-31-05	11,667	11,667	2,494
12-31-06	11,667	11,667	1,829
12-31-07	11,667	11,667	1,165
12-31-08	11,666	11,666	499
	<u>70,000</u>	<u>58,333</u>	<u>9,145</u>
4-1-03	44,960	-	-
4-1-04	47,028	47,028	12,972
4-1-05	49,191	49,191	10,809
4-1-06	27,589	27,589	8,546
4-1-07	28,859	28,859	7,277
4-1-08	30,186	30,186	5,949
4-1-09	31,575	31,575	4,561
4-1-10	33,027	33,027	3,108
4-1-11	34,546	34,546	1,589
	<u>326,961</u>	<u>282,001</u>	<u>54,811</u>

**March 31, 2004 and 2003**[illegible]

Date of Maturity	Balance Outstanding March 31,		Annual Interest Payable
	2003	2004	
3-31-04	\$ 2,336	\$ -	\$ -
3-31-05	2,516	2,516	4,884
3-31-06	2,710	2,710	4,690
3-31-07	2,919	2,919	4,482
3-31-08	3,144	3,144	4,256
3-31-09	3,386	3,386	4,014
3-31-10	3,648	3,648	3,753
3-31-11	3,929	3,929	3,471
3-31-12	4,232	4,232	3,167
3-31-13	4,559	4,559	2,811
3-31-14	4,910	4,910	2,489
3-31-15	5,289	5,289	2,111
3-31-16	5,698	5,698	1,694
3-31-17	6,137	6,137	1,263
3-31-18	6,610	6,610	790
3-31-19	6,365	6,365	260
	68,388	66,052	44,135
3-31-04	6,174	-	-
3-31-05	6,650	6,650	13,349
3-31-06	7,163	7,163	12,837
3-31-07	7,717	7,717	12,283
3-31-08	8,311	8,311	11,688
3-31-09	8,952	8,952	11,049
3-31-10	9,643	9,643	10,357
3-31-11	10,386	10,386	9,614
3-31-12	11,186	11,186	8,813
3-31-13	12,050	12,050	7,950
3-31-14	12,980	12,980	7,021
3-31-15	13,982	13,982	6,019
3-31-16	15,060	15,060	4,940
3-31-17	16,221	16,221	3,779
3-31-18	17,473	17,473	2,527
3-31-19	22,676	22,676	1,180
	186,624	180,450	123,406
	661,973	591,836	231,882
	\$ 7,875,621	\$ 7,368,283	\$ 3,580,887

**Charter Township of Fruitport  
Muskegon County, Michigan**

**REPORT ON INTERNAL CONTROLS  
AND  
MANAGEMENT ADVISORY COMMENTS**

**March 31, 2004**





**Charter Township of Fruitport, Muskegon County, Michigan**  
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**To the Board of Trustees  
Charter Township of Fruitport, Muskegon County, Michigan**

In planning and performing our audit of the financial statements of Charter Township of Fruitport, Muskegon County, Michigan, as of and for the year ended March 31, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the ability of the organization to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described on page 5 are believed to be a material weakness.

This report is intended solely for the information and use of the township board, management and others within the organization.

*Hoffman, Steensma & Plamondon*

June 29, 2004

**REPORTABLE CONDITIONS**

# **Charter Township of Fruitport, Muskegon County, Michigan**

## **Reportable Conditions**

**March 31, 2004**

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### **REPORTABLE CONDITIONS**

#### **Use of Township Owned Property**

During our examination, we noted that the township's policies and procedures permit personal use of township property, with certain approvals. The borrowing policy is in conflict with the Michigan Constitution. We recommend that the borrowing policy be eliminated and the township prohibit all personal use of township owned property.

#### **Check Cashing**

During our examination, we noted that the township periodically cashes personal checks of employees. We recommend that this policy be eliminated as it represents an unlawful extension of credit to the employee.

#### **Tax Collection Fund - Disbursement of Tax Collections**

During our examination, we noted that the township was not disbursing tax collections in accordance with the Michigan General Property Tax Act. We recommend that the township follow the guidance provided in the act and disburse funds within ten business days after the first and fifteenth day of each month.

#### **Investment of Surplus Funds**

During our examination we noted that the township placed surplus funds in an investment that is not allowable under the State of Michigan Public Act 196 of 1997. We recommend that the township liquidate this investment as soon as possible. We recommend that the township verify any investments purchased are in accordance with guidelines set forth in the act.